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ROUTING AND TRANSMITTAL SLIP

Date: 20 April 1981

2315-81

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REMARKS

CIA comments on DIA assessment on the impact of US grain embargo.

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FROM: (Name, org. symbol, Agency/Post)	Room No.—Bldg.
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25X1

5041-102

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OER/D/U: [redacted] (20 Apr 81)

25X1

DIA review completed.

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20 April 1981

MEMORANDUM FOR: Acting Director of Central Intelligence

VIA : Director, National Foreign Assessment Center

FROM : Maurice C. Ernst, Director
Economic Research

SUBJECT : The DIA Assessment of the Impact of the US Grain Embargo [redacted] 25X1

1. Action Requested: None for your information only. [redacted] 25X1

2. Background: In the DIA report, Impact of US Grain Embargo on Soviet Food Supply, the judgments regarding the amount of grain denied to the USSR, the shortfall in feed grains, and the extent of food shortage in the country reflect no basic disagreement with CIA estimates. DIA and CIA use the same numbers and rely on the same evidence on these points. The only area in which we differ--and then only partially--is in the effect of lifting the US grain embargo now. [redacted] 25X1

3. The DIA assessment says, "It seems clear that the Soviets believe that renewed access to US grain would go far toward easing Moscow's dilemma and provide options now denied. This may be of greatest concern with regard to formulating economic plans this year and through 1985." This statement is true in the longer run but incorrect in the short run. Through the end of this Long-Term Agreement year (October 1980-September 1981) the USSR, because of logistical bottlenecks, could not import more than the 8 million tons of US grain already ordered without deferring or cancelling deliveries from other countries. As we argued in our February paper, USSR: Adjusting to the US Grain Embargo," the dominant problem for Soviet meat production in 1981 is a second successive bad harvest of grain and other feeds. A continuation of the US partial embargo in grain would have little effect. [redacted] 25X1

4. In 1982 and beyond Soviet requirements for Western grain will continue at high levels. Clearly, in any given year poor crops in one of the major producing countries like Argentina, Australia, and Canada could mean that if the USSR required an unusually large quantity of grain it would not be able to import up to requirements (or port capacity) without large shipments of American grain. Any uncertainty about the availability of US supplies would certainly be disruptive. Thus, as DIA says,

[redacted] 25X1

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renewed access to US grain on an unconditional basis would help Moscow by "providing options now denied." This result, however, depends not so much on whether the present US partial embargo is lifted as on US willingness to guarantee that an embargo would not be reinstituted because of Soviet actions unacceptable to the US Government.

25X1

MAURICE C. ERNST

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